

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY LIMA

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E.O. 11652: N/A

TAGS: OVIP

SUBJ: VISIT OF EXIMBANK EXECUTIVE VICE PRESIDENT BEIM AND DEPUTY
GENERAL COUNSEL RENDELL

1. ASSUMING THERE IS A PRIOR MARCONA SETTLEMENT, EXIMBANK EXECUTIVE VICE PRESIDENT BEIM AND DEPUTY GENERAL COUNSEL RENDELL PROPOSE TO VISIT LIMA MAY 10 TO 11 OR MAY 3 TO 4 TO DISCUSS PROBLEMS WITH CUAJONE COPPER PROJECT. VISIT MIGHT BEGIN WITH CENTRAL BANK PRES. SANTISTEVAN AND MINFIN BARUA AND PROCEED TO OTHERS AS SEEM APPROPRIATE IN THE JUDGMENT OF THE EMBASSY. FOR EMBASSY'S INFORMATION PAST NEGOTIATIONS ON SIMILAR SUBJECTS HAVE BEEN CONDUCTED BY REPRESENTATIVES OF SPCC AND CHASE BANK WITH SENIOR OFFICIALS OF BANCO CENTRAL DE RESERVAS, MINISTRY OF FINANCE, MINISTRY OF ENERGY AND MINES, AND MINERAPERU. IT IS ALSO POSSIBLE THAT COFIDE COULD PLAY A SIGNIFICANT ROLE.

2. PURPOSE OF VISIT IS TO EXPLAIN FORM OF ASSISTANCE WHICH EXIMBANK NOW CONSIDERING FOR CUAJONE AND RELATED ASSURANCES FROM GOP WHICH EXIMBANK WOULD REQUIRE.

3. OF DOLS 404 MILLION ORIGINALLY LOANED TO SPCC, EXIMBANK

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LOANED DOLS 55 MILLION AND GUARANTEED BANK LOANS OF DOLS 20

MILLION. SPCC NOW URGENTLY NEEDS AN ADDITIONAL DOLS 54 MILLION IN LONG-TERM LOANS (ASIDE FROM EQUITY CONTRIBUTIONS) TO BRING CUAJONE PROJECT INTO FULL SCALE PRODUCTION. EXIMBANK IS CONSIDERING THE POSSIBILITY OF GUARANTEEING DOLS 100 MILLION OF PRIVATE LONG-TERM FINANCING OF WHICH DOLS 55 MILLION WOULD BE USED TO PREPAY PREVIOUS EXIMBANK LOAN AND BALANCE OF DOLS 45 MILLION WOULD BE UTILIZED IN REFINANCING OF CUAJONE COPPER PROJECT. AN ABSOLUTE PRECONDITION TO SUCH A GUARANTEE WOULD BE AN UNDERTAKING BY THE GOP TO REIMBURSE EXIMBANK FOR PAYMENTS EXIMBANK MAY BE REQUIRED TO MAKE UNDER ITS GUARANTEE WHICH RESULT FROM ACTS BY THE GOP. EXAMPLE OF SUCH ACTS MIGHT BE EXPROPRIATION OF AND INTERVENTION IN SPCC OR UNILATERAL CHANGES TO THE BILATERAL AGREEMENT OF DECEMBER 19, 1969 BETWEEN GOP AND SPCC.

4. WE WOULD APPRECIATE EMBASSY GUIDANCE AS TO APPROPRIATE GOP MINISTRY OR AGENCY TO GIVE SUCH AN UNDERTAKING TO EXIMBANK AS WELL AS MOST PRACTICAL APPROACH IN FORMULATING SUCH UNDERTAKING WITHIN CONTEXT OF PERUVIAN LAW AND EXISTING PRECEDENTS. PLEASE ADVISE WHETHER IN YOUR VIEW IT WOULD BE USEFUL TO EMPLOY LOCAL PERUVIAN COUNSEL TO ADVISE US AS TO PERUVIAN LAW WHICH MAY APPLY TO SUCH AN UNDERTAKING.

5. FURTHER PROGRESS ON DEVELOPMENT OF THE CUAJONE MINE WILL STOP IF ADDITIONAL FINANCING IS NOT AVAILABLE BY JUNE 30. DISCUSSIONS WITH SPCC SHAREHOLDERS AND FINANCING INSTITUTIONS INDICATE THAT PROVISION OF EXIMBANK GUARANTEE IS ONLY FEASIBLE WAY TO PROVIDE SUCH FINANCING IN TIME. WE REITERATE THAT AN ASSURANCE SUCH AS DESCRIBED ABOVE IS ESSENTIAL TO AVAILABILITY EXIMBANK CONSIDERATION OF GUARANTEE AND THEREFORE REQUEST URGENT ATTENTION BY THE GOP AND EMBASSY TO THIS PROBLEM.

6. REQUEST EMBASSY APPROACH ABOVE NAMED OFFICIALS TO DETERMINE WHICH OF THE ABOVE DATES WOULD BE MOST SUITABLE FOR VISIT AND TO OBTAIN INITIAL REACTION TO THIS PROPOSAL. MAY 10 TO 11 PREFERRED BY EXIMBANK OFFICIALS IF POSSIBLE.

7. PLEASE ADVISE. ROBINSON

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